



Memorandum

TO: Honorable Mayor and City Council

FROM: Gerald A. Silva,
City Auditor

SUBJECT: Conditional Approval of
Stock Transfer

DATE: May 7, 2004

In accordance with the City Council's request, I am submitting the finding reports from Kafoury, Armstrong, & Company, LLP relating to the Bay 101 Conditional Approval of Stock Transfer. This report represents the quarter ending December 31, 2003.

Gerald A. Silva
City Auditor

0470
GS:bh

cc: Carl Mitchell
Richard Teng

KAFOURY, ARMSTRONG, & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT

To the City of San Jose

We have examined management of Sutter's Place, Inc., d.b.a. Bay 101's assertion that Sutter's Place, Inc., d.b.a. Bay 101, complied with the Conditional Approval of Stock Transfer agreement dated August 26, 1994 during the quarter ended December 31, 2003. Management is responsible for Sutter's Place, Inc., d.b.a. Bay 101's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Sutter's Place, Inc., d.b.a. Bay 101's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Sutter's Place, Inc., d.b.a. Bay 101's compliance with specified requirements.

During the year ended December 31, 2003, management of Sutter's Place, Inc., d.b.a. Bay 101 made payments to an entity related to one of the shareholders of Sutter's Place, Inc., d.b.a. Bay 101. The services for which payments have been rendered have not been performed as of the date of this report. Details of the payments are reported on Exhibit 6.

In our opinion, management's assertion that Sutter's Place, Inc., d.b.a. Bay 101 complied with the Conditional Approval of Stock Transfer agreement dated August 26, 1994 for the quarter ended December 31, 2003 is fairly stated, in all material respects.

This report is intended solely for the information and use of the City of San Jose and is not intended to be and should not be used by anyone other than these specified parties.

Our examination was made for the purpose of forming an opinion on management of Sutter's Place, Inc., d.b.a. Bay 101's assertion that Sutter's Place, Inc., d.b.a. Bay 101, complied with the Conditional Approval of Stock Transfer agreement dated August 26, 1994 during the quarter ended December 31, 2003. The accompanying supplementary information (Exhibit 1 through 6) is presented for purposes of additional analysis and is not a required part of this report. Such information has been subjected to the procedures applied in the examination of management's assertion.

Reno, Nevada
April 6, 2004

Kafoury, Armstrong & Co.

**CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF DISBURSEMENTS TO RELATED PARTIES
FOR THE QUARTER ENDED DECEMBER 31, 2003**

Exhibit 1

Month tested - December 2003

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
C.J. Sutter	12/01/03	062788	\$ 16,667.00	Covenant payment
Bumb & Associates	12/03/03	062796	292,602.00	December 2003 - rent
Brian Bumb	12/19/03	062947	32,500.00	December distribution - 4th quarter estimated tax
George Bumb Jr.	12/19/03	062948	227,500.00	December distribution - 4th quarter estimated tax
Timothy Bumb	12/19/03	062949	227,500.00	December distribution - 4th quarter estimated tax
Marko Trapani	12/19/03	062950	162,500.00	December distribution - 4th quarter estimated tax

**CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF DISBURSEMENTS OVER \$10,000 TO VENDORS
FOR THE QUARTER ENDED DECEMBER 31, 2003**

Exhibit 2

Month tested - December 2003

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Board of Equalization	12/19/03	001219	\$ 25,000.00	Sales tax - 4th quarter 2nd payment
Franchise Tax Board	12/12/03	001212	11,620.00	State income tax
City of San Jose	12/04/03	062812	409,827.00	November cardroom tax
Durham Meat Company	12/04/03	062817	12,559.24	Meat
Naser Distributor	12/04/03	062826	13,549.55	Cigarettes
Pacific Gas & Electric Co.	12/04/03	062831	47,680.78	Utilities - Gas & electric
Race Street Fish & Poultry	12/04/03	062835	15,294.00	Food
South Bay Hotel Employees	12/04/03	062845	43,653.98	Union trust fund contributions for November
State Compensation Insurance	12/04/03	062849	91,327.72	Worker's comp insurance November 2003
Durham Meat Company	12/16/03	062876	10,314.58	Meat
Y.A. Tittle & Associates	12/16/03	062941	119,708.16	General Liability Insurance 12/01/03 to 12/01/04
Y.A. Tittle & Associates	12/16/03	062942	10,612.50	Excess Auto Liability Insurance 12/01/03 to 12/01/04
Smart Technologies Group	12/18/03	062946	31,747.36	8 Channel Digital Video Recorder
Naser Distributor	12/23/03	062965	11,875.12	Cigarettes
City of San Jose	12/23/03	062989	787,680.00	2004 Cardroom permit fees and charges
Pacific Gas & Electric Co.	12/29/03	062994	40,460.06	Utilities - Gas & electric
Peery-Arrillaga	12/29/03	062995	154,430.28	January 2004 - rent

**CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
OPERATIONAL TRANSACTIONS TESTING
FOR THE QUARTER ENDED DECEMBER 31, 2003**

Exhibit 3

Scope: All transactions > \$50,000 for the months of October and November 2003

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Blue Cross of California	10/01/03	062300	88,504.10	Health insurance - October 2003
Bumb & Associates	10/01/03	062302	288,676.00	October 2003 - rent
City of San Jose	10/07/03	062356	380,076.00	September cardroom tax
State of California	10/08/03	062365	128,000.00	2004 California table fees
State Compensation Insurance	10/10/03	062428	89,379.31	Worker's comp insurance September 2003
Coblenzt, Patch, Duffy & Bass	10/13/03	062437	145,810.94	Bankruptcy Court ordered legal fees
McManis, Faulkner, & Morgan	10/15/03	062440	316,211.08	Bankruptcy Court ordered legal fees
Pricewaterhouse Coopers LLP	10/24/03	062506	52,761.61	Bankruptcy Court ordered accounting fees
Tax Collector, Santa Clara	10/24/03	062508	103,969.93	2003/2004 Real property taxes
Peery-Arrillaga	10/24/03	062509	154,430.28	November 2003 - rent
Blue Cross of California	11/04/03	062536	91,324.06	Health insurance - November 2003
Pacific Gas & Electric	11/04/03	062570	56,057.96	Utilities - Gas & electric
State Compensation Insurance	11/04/03	062594	136,885.68	Worker's comp insurance October 2003
Bumb & Associates	11/07/03	062607	292,602.00	November 2003 - rent
City of San Jose	11/07/03	062608	404,356.00	October cardroom tax
State Compensation Insurance	11/13/03	062611	71,721.00	Worker's comp insurance premium
Peery-Arrillaga	11/21/03	062777	154,430.28	December 2003 - rent
Blue Cross of California	11/21/03	062778	87,718.71	Health insurance - December 2003

**CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF CAPITAL/FACILITY TRANSACTIONS
FOR THE QUARTER ENDED DECEMBER 31, 2003**

Exhibit 4

Month tested - December 2003

<u>Lessor - Bldg. & Land</u>	<u>Lease Terms</u>	<u>Monthly Payment</u>	<u>Payment Period</u>	<u>Description</u>
Bumb & Associates	11/15/93 to 11/14/17	\$ 292,602.00	11/02 to 10/03	Building at 1801 Bering Drive, San Jose, CA
J. Arrillaga & R. Peery	11/16/92 to 11/20/17	\$ 154,430.28	5/02 to 5/03	Land lease at 1801 Bering Drive, San Jose, CA

NOTE:

Refer to Exhibits 1 and 2 for actual payments made for December, 2003.

**CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF OWNERSHIP
FOR THE QUARTER ENDED DECEMBER 31, 2003**

Exhibit 5

	30-Sep-03 Ownership Percentages	31-Dec-03 Ownership Percentages	Change
The Flea Market, Inc.*			
George Bumb, Jr.	14.10%	14.10%	-
Timothy Bumb	14.10%	14.10%	-
Brian Bumb	15.70%	15.70%	-
Bumb & Associates*			
George Bumb, Jr.	14.10%	14.10%	-
Timothy Bumb	14.10%	14.10%	-
Brian Bumb	15.70%	15.70%	-
Air One Helicopters, Inc.			
George Bumb, Jr.	40.00%	40.00%	-
Timothy Bumb	30.00%	30.00%	-
Brian Bumb	30.00%	30.00%	-
EMS, LLC*			
George Bumb, Jr.	22.50%	22.50%	-
Timothy Bumb	22.50%	22.50%	-
Brian Bumb	45.00%	45.00%	-
BGT Development, LLC			
George Bumb, Jr.	25.00%	25.00%	-
Timothy Bumb	25.00%	25.00%	-
Brian Bumb	25.00%	25.00%	-
Bumb & Associates	25.00%	25.00%	-
Farm Fresh, LLC*			
George Bumb, Jr.	12.50%	12.50%	-
Timothy Bumb	28.25%	28.25%	-
Brian Bumb	12.50%	12.50%	-
CNC Solutions, Inc.			
Timothy Bumb	100.00%	100.00%	-
Sutter's Place, Inc. dba Bay 101			
George Bumb, Jr.	35.00%	35.00%	-
Timothy Bumb	35.00%	35.00%	-
Marko Trapani	25.00%	25.00%	-
Brian Bumb	5.00%	5.00%	-
Ronald E. Werner	0.00% **	0.00% **	-

*Ownership percentages for other shareholders were unavailable.

**Mr. Werner has received approval from the State of California for ownership, but is awaiting approval for stock transfer from the City of San Jose.

CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF RELATED ENTITY PAYMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2003

Exhibit 6

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
J.T. Sales	01/14/03	060784	\$ 1,000.00	Deposit on carpeting
J.T. Sales	01/24/03	060841	2,500.00	Replace carpet squares in Gold Room
J.T. Sales	02/24/03	061022	400.00	Install carpet - east entry doors - down payment
J.T. Sales	02/24/03	061023	400.00	Install carpet - east entry doors - final payment
J.T. Sales	08/05/03	061994	12,000.00	Carpet replacement - deposit
J.T. Sales	08/11/03	062010	12,000.00	Carpet replacement - payment #2
J.T. Sales	08/20/03	062059	6,000.00	Carpet replacement - payment #3
			<u>\$ 34,300.00</u>	

* The financial activity of Sutter's Place, Inc., d.b.a. Bay 101 and the related entity will continue to be monitored until completion of the transaction.